

Message Text

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21

ACTION OPIC-06

INFO OCT-01 NEA-09 ISO-00 EB-07 XMB-02 OMB-01 TRSE-00

AID-05 CIAE-00 INR-07 NSAE-00 L-02 /040 W

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R 180625Z APR 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8198

INFO AMCONSUL CALCUTTA

USDOC WASHDC

LIMITED OFFICIAL USE NEW DELHI 5227

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJ: OPIC CONTRACT OF GUARANTY NO. 1396--MCNALLY PITTSBURG
MANUFACTURING CORP.

REFS: (A) NEW DELHI 4710 (B) STATE 086733

1. WE RECONTACTED THE MINISTRY OF FINANCE (M.C. BHATT, DIRECTOR, DEPARTMENT OF ECONOMIC AFFAIRS) CONCERNING THE MCNALLY BHARAT APPLICATION FOR DIVIDEND REMITTANCE. BHATT SAID THAT AFTER LOOK-ING INTO THE CASE, HE HAD FOUND THAT THE MINISTRY HAD REFUSED TO PERMIT THE REMITTANCE UNTIL MCNALLY PITTSBURGH ACTUALLY CARRIES OUT THE EQUITY DILUTION WHICH IT AGREED TO THREE YEARS AGO. HE SAID THE CALCUTTA RBI BRANCH HAD BEEN INSTRUCTED TO WITHHOLD APPROVAL AND THAT THE MANAGEMENT OF MCNALLY BHARAT HAD BEEN IN-FORMED OF THE GOI DECISION.

2. WE WERE UNDER THE IMPRESSION THAT THE DILUTION ISSUE HAD BEEN SETTLED, BUT ACCORDING TO BHATT, MCNALLY BHARAT HAS TAKEN NO FOLLOW-UP ACTION SINCE MAKING THE COMMITMENT TO REDUCE ITS FOREIGN HOLDING. HE FURTHER STATED THAT BECAUSE THE COMPANY'S PAST RECORD OF PROMISES AND ACTUAL PERFORMANCE IN THIS AREA WAS SO TOTALLY IRRESPONSIBLE THE GOI WAS LEFT WITH NO OTHER ALTERNA-TIVE BUT TO RESORT TO THE PRESENT ACTION.

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3. WE ARE WILLING TO ESCALATE PROBLEM BUT BEFORE DOING SO STATE/

COMMERCE OR OPIC REQUESTED TO CONTACT MCNALLY PITTSBURGH INFORM-
ING THEM OF THE ABOVE AND ASCERTAIN THEIR SIDE OF STORY, INCLUDING
PLANS TO MOVE AHEAD WITH DILUTION. IT IS DOUBTFUL WHETHER THE
MINISTRY WOULD REVERSE ITS POSITION OF THE REMITTANCE WITHOUT
AN UNCONDITIONAL COMMITMENT TO DILUTE WITHIN A SPECIFIC TIME
PERIOD ON THE PART OF MCNALLY PITTSBURG AND ITS INDIAN PARTNER.
SAXBE

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Disposition Authority: greeneet
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